



## Washington State Liquor Control Board

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### State Liquor Store Rights:

### **Auction Frequently Asked Questions (FAQs)**

Q1. Why is an auction happening?

A1. On November 8, 2011, the voters approved Initiative 1183 which in part called for the closing of the state's liquor business operations. Specifically, the state is required to sell by auction the right associated with each state-owned store location.

Q2. What exactly is being auctioned?

A2. A successful bidder owns the exclusive rights to apply for a spirit retail license associated with the location of the former state liquor store in its current footprint. This is a special right that allows those who are separately licensed to sell liquor at a retail location that is less than 10,000 ft<sup>2</sup>. By law, this is a special exception. This right may be sold or transferred at anytime.

Q3. Can anyone bid at the auction?

A3. Yes, this auction is open to the public and anyone who registers is welcome to submit a bid.

Q4. When will the auction take place?

A4. The on-line auction will open on March 8, 2012 and close on April 20, 2012. The website is [www.lcbstoreauction.com](http://www.lcbstoreauction.com). This period will allow ample time for interested parties to evaluate this business opportunity, register, and bid.

Q5. What are the benefits of winning the "rights"?

A5. A successful bidder, if licensed to do so, may sell liquor at a retail location that is less than 10,000 ft<sup>2</sup>. By law, this is a special exception that has been granted on a very limited basis. In addition, the owner of the rights may establish a liquor retail business at the original state liquor store location without challenge by the local jurisdiction. Finally, the owner of the right may sell or transfer them at anytime.

- Q6. Can the winner of the auction also buy the liquor inventory?
- A6. If the winner of the auction secures a lease with the landlord, receives a spirit retail license, and notifies the LCB by May 15, 2012, then it is possible for them to also buy the remaining inventory at the location.
- Q7. How much will the inventory cost?
- A7. If the winning bidder arranges to purchase the inventory, the cost will be based on the actual product remaining at the end of business on May 31, 2012. The price will be calculated at LCB's cost less \$7.97 per case. This discount reflects the cost avoidance that the LCB would realize by not having to pack and transport the remaining inventory to another auction site.
- Q8. Can I bid on more than one store?
- A8. Yes. A registered bidder may bid on one or multiple stores. There will also be an option for a bidder to make a single offer on the entire store network.
- Q9. Why are simultaneous auctions being held that allows for bids to be placed on individual stores at the same time others may bid on the whole store network?
- A9. This approach accomplishes multiple objectives. It lends itself to small entrepreneurs as well as larger entities that may have interest in this unique business opportunity. Additionally, it optimizes the opportunity to obtain "maximum reasonable value" for the assets being sold. Finally, the simultaneous approach allows for this to be completed within the tight timelines that were required by law.
- Q10. How will the winner(s) of the auction be determined?
- A10. Generally, the winner will be determined by identifying the highest bidder for any given store. However, a comparison will also be made between the sum of the individual store high bids to any all store network bids that may have been received. If the total revenue of an all store network bid exceeds the value of all individual store high bids combined, then the individual bids will be declined and rights will be awarded to the all store network bid. Cost avoidance to the state will be considered when determining the value of bids received.

Q11. Are there any costs for me to participate in the auction?

A11. There is no cost to participate in the auction unless you are the successful bidder. Each successful bidder will be required to pay a 6% buyer's premium in addition to the amount of their winning bid value.

Q12. What are my options if I win the bid but can't reach agreement with the landlord?

A12. If a successful bidder is unable to reach agreement with the landlord, they may

- Resell their acquired right to another individual
- Request an alternate location through the LCB licensing process
- Hold their right for future action

Q13. How can I learn more about the auction?

A13. Information is available on the Liquor Control Board website at [www.liq.wa.gov](http://www.liq.wa.gov) as well as the official auction site at [www.lcbstoreauction.com](http://www.lcbstoreauction.com).

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